

**VILLAGE OF ARDEN**  
**AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**VILLAGE OF ARDEN  
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FOR THE YEAR ENDED JUNE 30, 2006**

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Village of Arden  
2002 Orleans Road  
Arden, Delaware

We have performed the procedures enumerated below, which were agreed to by Village of Arden and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Village's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Village of Arden's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over Municipal Street Aid grant funds from discussion with management and report internal control weaknesses.

During completion of the program checklist, no internal control weaknesses over the Municipal Street Aid grant funds were noted.

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Village's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

**FINDING NO. 06-1** - During completion of the Village of Arden's program checklist for the Municipal Street Aid grant, it was noted that funds were not deposited timely to the Municipal Street Aid bank account. Good internal controls require that assets are properly maintained and safeguarded.

**RECOMMENDATION** - The Village should implement procedures to ensure that Municipal Street Aid Funds are deposited timely.

**VILLAGE'S PLAN FOR CORRECTIVE ACTION:**

*"We will deposit Municipal Street Aid funds in our Wilmington Trust account within four days from receipt of the Delaware check by the Village of Arden. After the check clears at Wilmington Trust, we will transfer these funds to our Municipal Street Aid account, Vanguard Fund # 50 within three days."*

FINDING NO. 06-2 - The Village of Arden inappropriately deposited funds totaling \$ 2,850.48 into the Municipal Street Aid bank account. Municipal Street Aid funds are to be maintained in a separate account as required by 30 Del. C. §5165(a). Noncompliance with the grant's requirements could adversely affect future awards to the Village.

RECOMMENDATION - The Village should transfer \$ 2,850.48 from the Municipal Street Aid bank account and implement procedures to prevent future commingling of funds.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

*"The \$ 2,850.48 extra money deposited in our Municipal Street Aid account in 2005-2006 was a one time mistake. We deposited the Municipal Street Aid check along with two other checks into Wilmington Trust. When the Municipal Street Aid funds were to be transferred to our Municipal Street Aid account we referred to the total Wilmington Trust deposit not just to the Municipal Street Aid check. So, \$ 21,837.68 instead of \$ 18,987.20 was put into the Municipal Street Aid account Fund # 50.*

*This error was uncovered by our auditors and the mistake was corrected in 2006.*

*To prevent this incident in the future, all Municipal Street Aid deposits into Wilmington Trust will be handled alone, without any other Village of Arden/Trustees checks included in the deposit transaction."*

FINDING NO. 06-3 - During completion of the Village of Arden's program checklist for the Municipal Street Aid grant, it was noted that their annual expenditure report was not accurately prepared nor submitted timely to the Office of the State Treasurer for the fiscal year ended June 30, 2006. The Village was required to submit an annual report to the Office of the State Treasurer on or before October 1, 2005 [30 Del. C. §5165(b)(2)]. The other income and ending cash balance on the annual report were each understated by \$ 2,850.48, which was the deposit error noted in Finding No. 06-2. Failure to file the report timely could result in a loss or delay of future Municipal Street Aid funds.

RECOMMENDATION - The Village should ensure future Municipal Street Aid annual reports are filed on or before October 1<sup>st</sup> and should more carefully prepare and review the annual report to ensure an accurate presentation.

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

*"We will add the Municipal Street Aid report to our monthly checklist of tasks to accomplish. This should prevent any future late submissions. We routinely consult the checklist to make sure all required tasks are completed at the proper time."*

FINDING NO. 06-4 - During completion of the Village of Arden's program checklist for the Municipal Street Aid grant, it was noted that there is a separate bank account for the Municipal Street Aid Funds, but it is titled "Trustees of Arden" and is not designated as "Municipal Street Aid Fund" as required by the grant [30 Del. C. §5165(a)]. Noncompliance with the grant's requirements could adversely affect future awards to the Village.

RECOMMENDATION - The Village should ensure their account is properly titled and designated as "Municipal Street Aid Fund".

VILLAGE'S PLAN FOR CORRECTIVE ACTION:

*"Vanguard will add the words "Municipal Street Aid" to the name of our Municipal Street Aid account (Vanguard Treasury Money Market Fund # 50). Beginning in the first quarter of 2007, Fund # 50 statements will have the Municipal Street Aid designation."*

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts, gross violations of provisions of contracts or grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Village's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Village's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Village of Arden's Management and Trustees, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

*Jefferson, Ulan, Doane & Starnes, P.A.*

Georgetown, Delaware  
December 4, 2006

**VILLAGE OF ARDEN  
SCHEDULE OF MUNICIPAL GRANTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 18,987.20
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.